



August 13, 2014

Item No. 8

AUTHORIZATION TO: 1) SUBMIT A DEVELOPMENT PROPOSAL AND EVIDENTIARY DOCUMENTS TO THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD); 2) SUBMIT A REQUEST TO HUD TO AMEND THE CONTRACT FOR REDEVELOPMENT FOR THE MADDEN WELLS PHASE I AND II RENTAL SITES; 3) COMMIT CHICAGO HOUSING AUTHORITY FUNDS NOT TO EXCEED \$8,000,000 TO SUPPORT THE DEVELOPMENT OF THE QUAD COMMUNITIES ARTS AND RECREATION CENTER; 4) EXECUTE A LOAN AGREEMENT AND BORROW BRIDGE FUNDS NOT TO EXCEED \$8,000,000 FROM THE BMO HARRIS BANK N.A. LINE OF CREDIT FACILITY; AND 5) EXECUTE AND DELIVER SUCH OTHER DOCUMENTS AND PERFORM SUCH ACTIONS AS MAY BE NECESSARY OR APPROPRIATE TO IMPLEMENT THE FOREGOING.

To the Honorable Board of Commissioners:

RECOMMENDATION

It is recommended that the Board of Commissioners authorize the Chief Executive Officer or his designee to: 1) Submit a Development Proposal and Evidentiary documents to the United States Department of Housing and Urban Development (HUD); 2) Submit a request to HUD to amend the Contract for Redevelopment for the Madden Wells Phase I and II rental sites; 3) Commit Chicago Housing Authority funds not to exceed \$8,000,000 to support the development of the Quad Communities Arts and Recreation Center; 4) Execute a loan agreement and borrow bridge funds not to exceed \$8,000,000 from the BMO Harris Bank N.A. line of credit facility; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

The Chief Housing Officer, Office of the General Counsel, and the Department of Procurement and Contracts have completed all necessary due diligence to support the submission of this initiative and recommend the approval of this item accordingly.

CORPORATE GOAL #1

The proposed development supports CHA's corporate goal to reimagine the final Phase of the Plan for Transformation, coordinating public and private investments to develop healthy, vibrant communities.

FUNDING

Not to Exceed \$8,000,000 of CHA Funds

M/W/DBE & Section 3 PARTICIPATION: Compliance Affidavit on File

Direct ____% MBE ____% WBE ____% DBE ____%

(The detailed list of subcontractors will be identified by September 2, 2014.)

Section 3

(#) Hiring 7 (\$) Subcontracting _____ (\$) Other Economic Opportunities

GENERAL BACKGROUND

The Ida B. Wells Homes, Clarence Darrow Homes, Wells Extension, and Madden Park Homes commonly known as Madden/Wells are a part of CHA's plan to transform blighted neighborhoods into vibrant communities. The CHA Ida B. Wells, Darrow Homes, Wells Extension, and Madden Park Homes public housing developments were originally situated on 94 acre of land and included over 3,200 public housing units. On November 11, 2000, the CHA received a FY2000 HOPE VI Revitalization Program grant award of \$35,000,000 to leverage more than \$240,000,000 for the redevelopment of the Madden/Wells development sites. To date, CHA and its development partner have completed 863 new housing units in what is now known as the Oakwood Shores mixed income development.

The proposed Quad Communities Arts and Recreation Center (QCARC) will provide a necessary amenity for residents living at the Oakwood Shores mixed income development as well as the surrounding Oakland and Douglas neighborhoods. It will offer high quality arts and recreation programs for youth, adults, seniors and families as well as programs specifically targeted to the needs of the public housing residents. The new facility will contain approximately 30,000 square feet of athletic, recreational, and arts spaces, that include an indoor basketball court and swimming pool. The QCARC is proposed as a component of the larger CHA Madden/Wells Revitalization Program activities. Currently, the Oakwood Boulevard Associates, the Chicago Park District, the City of Chicago, the Chicago Housing Authority (CHA), the Quad Communities Development Corp., and community stakeholders are working to develop the QCARC on a parcel of land at the southwest corner of 35th Street and Cottage Grove Avenue owned by the City, CPS and/or Chicago Park District. Upon completion, the new center will be operated by the Chicago Park District.

DEVELOPMENT ENTITIES

Oakwood Boulevard Associates, LLC (OBA) is the selected developer for the Madden/Wells/Darrow Phase I and Phase II development. The OBA members are The Community Builders, Inc. (TCB), Granite OBA Madden Wells, LLC and UJIMA, Inc. TCB and Granite Development (Master) Corp. are the sponsors of the obligations under the redevelopment agreement. Subject to HUD approval, the CHA seeks to amend the Phase I and Phase II development agreements with OBA to include this community facility.

The development team for the recreation center will consist of a partnership between an affiliate of OBA and the Chicago Park District. Efforts are currently underway to secure financing and assemble the site. Construction commencement is planned for the fall of 2014.

FINANCING

The total estimated development budget for the QCARC development is approximately \$19,849,596 and includes the CHA loan of approximately \$8,000,000 in funding, subject to HUD approval. Other additional project sources include approximately \$5,400,941 of Tax Increment Financing (TIF), \$5,459,546 in New Market Tax Credit (NMTC) equity, and \$989,109 in other owner equity and soft debt.

The CHA loan will have to be funded at the time of the financing closing due to the NMTC financing structure. The disbursement of capital funds are not allowed until HUD has issued its final approval of the executed financing and other documents submitted to HUD for approval. Therefore, CHA intends to borrow the funds to bridge the financing of the \$8,000,000 CHA loan by utilizing the BMO Harris Bank line of credit facility. The rate terms are estimated to be 30 Day Libor plus 150 basis points at the time of borrowing. Maximum interest rate for this project borrowing will be capped at Prime Rate - (minus) 75 basis points at time of borrowing. The duration of the loan is estimated to be 90 days with 30 day extension options and there is no collateral required. The CHA will execute a loan agreement subject to mutually agreed upon terms, conditions, representations and warranties. CHA will not disburse funds and/or close this transaction unless and until it has received a preliminary commitment from HUD for the use of a corresponding amount of federal capital funds for this project.

Upon issuance of HUD's final approval letter for the construction of the QCARC development, CHA will repay the principal due on the borrowed funds from the line of credit facility and any interest will be repaid with non-federal funds. This does present some risk exposure for CHA in the event that HUD does not issue an approval letter.

The Board action recommended in this item complies in all material respects with all applicable Chicago Housing Authority board policies and all applicable federal procurement laws.

The Chief Housing Officer concurs with the recommendation to: 1) Submit a Development Proposal and Evidentiary documents to the United States Department of Housing and Urban Development; 2) Submit a request to HUD to amend the Contract for Redevelopment for the Madden Wells Phase I and II rental sites; 3) Commit Chicago Housing Authority funds not to exceed \$8,000,000 to support the development of the Quad Communities Arts and Recreation Center; 4) Execute a loan agreement and borrow bridge funds not to exceed \$8,000,000 from the BMO Harris Bank N.A. line of credit facility; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

The CEO/President recommends the approval to: 1) Submit a Development Proposal and Evidentiary documents to the United States Department of Housing and Urban Development; 2) Submit a request to HUD to amend the Contract for Redevelopment for the Madden Wells Phase I and II rental sites; 3) Commit Chicago Housing Authority funds not to exceed \$8,000,000 to support the development of the Quad Communities Arts and Recreation Center; 4) Execute a loan agreement and borrow bridge funds not to exceed \$8,000,000 from the BMO Harris Bank N.A. line of credit facility; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

RESOLUTION NO. 2014-CHA-84

WHEREAS, the Board of Commissioners has reviewed the Board Letter dated August 13, 2014 entitled "Authorization to: 1) Submit a Development Proposal and Evidentiary documents to the United States Department of Housing and Urban Development (HUD); 2) Submit a request to HUD to amend the Contract for Redevelopment for the Madden Wells Phase I and II rental sites; 3) Commit Chicago Housing Authority funds not to exceed \$8,000,000 to support the development of the Quad Communities Arts and Recreation Center; 4) Execute a loan agreement and borrow bridge funds not to exceed \$8,000,000 from the BMO Harris Bank N.A. line of credit facility; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing."

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY

THAT, the Board of Commissioners authorizes the Chief Executive Officer or his designee to: 1) Submit a Development Proposal and Evidentiary documents to the United States Department of Housing and Urban Development (HUD); 2) Submit a request to HUD to amend the Contract for Redevelopment for the Madden Wells Phase I and II rental sites; 3) Commit Chicago Housing Authority funds not to exceed \$8,000,000 to support the development of the Quad Communities Arts and Recreation Center; 4) Execute a loan agreement and borrow bridge funds not to exceed \$8,000,000 from the BMO Harris Bank N.A. line of credit facility; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

This award is subject to each Contractor's compliance with CHA's MBE/WBE/DBE, Section 3 resident hiring, bonding and insurance requirements.



Chicago Housing Authority
60 E. Van Buren
Chicago, IL 60605
312-742-8500
www.thecha.org